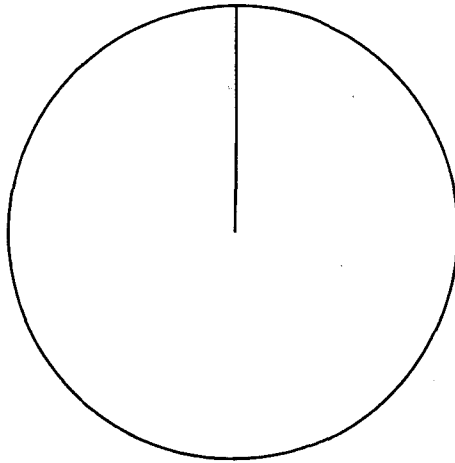


CIVIC CENTER CAPITAL PROGRAM

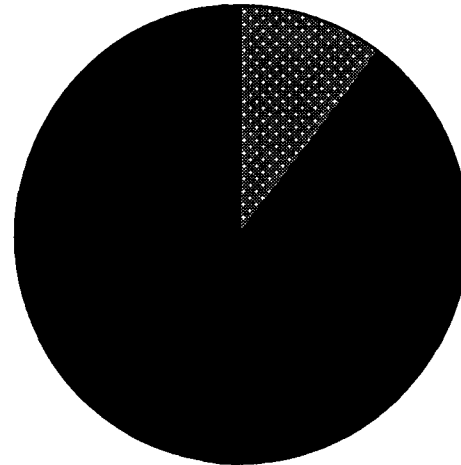
2007-2011 Capital Improvement Program

2006-2007 Proposed
Source of Funds



□ Beginning Fund Balance

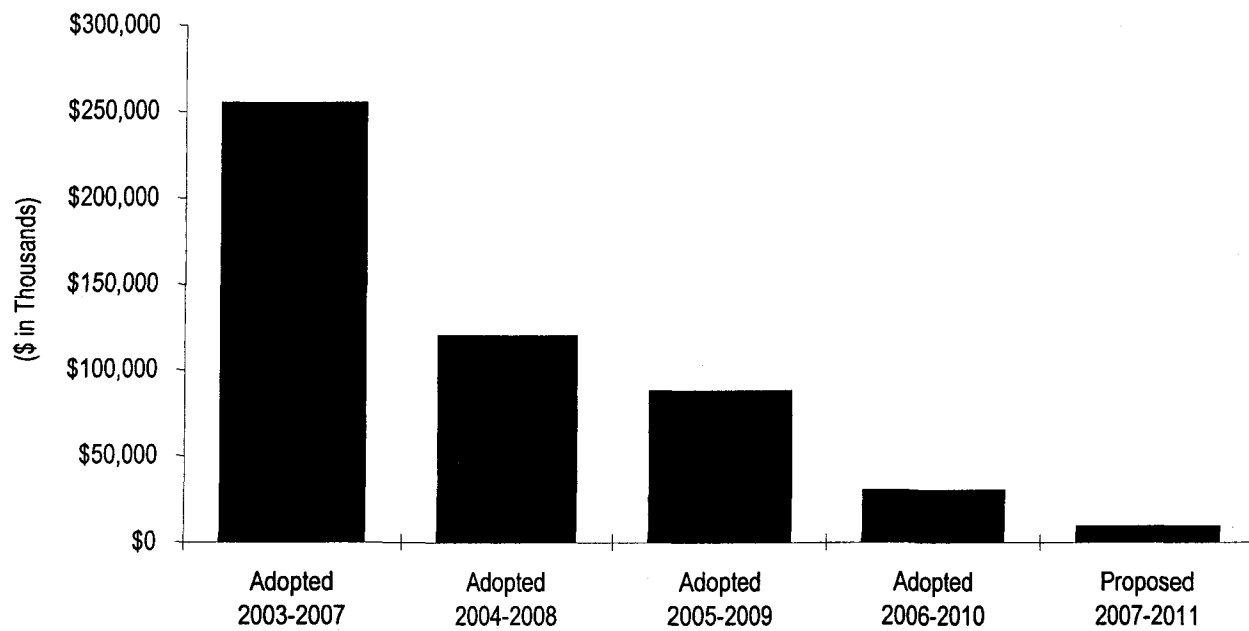
2006-2007 Proposed
Use of Funds



■ Construction

■ Reserves

CIP History



Civic Center Capital Program

2007-2011 Proposed Capital Improvement Program

Overview

Introduction

The Civic Center Capital Program is responsible for constructing the new City Hall and associated parking facilities. The new City Hall includes approximately 530,000 square feet of office and public space and is located on a 4.9-acre site located on the south side of East Santa Clara Street, between 4th and 6th Streets. Major components include an 18-story office tower, a council chamber wing, an open public plaza with a rotunda, plus a 372-vehicle underground parking garage to serve the visiting public and some staff. The facility is able to accommodate up to 1,950 City staff.

The project also includes an off-site 1,128-vehicle employee-parking garage located north of Santa Clara Street, between 4th and 5th Streets, which is still under construction.

The 2006-2007 budget and 2007-2011 CIP for this capital program total \$9.7 million and reflects project completion and closeout costs for the employee parking garage, the unused Reserve for Capital Improvements, and the final reimbursement to the General Fund for project costs. This program is part of the Strategic Support City Service Area (CSA) and supports the following outcomes: *Safe and Functional Public Infrastructure, Facilities, and Equipment*; and *Effective Use of State-of-the-Art Technology*.

Program Priorities and Objectives

The new City Hall is a landmark building for our community. This facility provides a better work environment that:

- Improves the quality of public service by bringing City operations together;

- Enhances the efficiency and effectiveness of City operations; and
- Supports long-term community development goals.

One of the major goals of this capital program has been to deliver the new City Hall project in a timely and cost effective manner. This goal was achieved.

Sources of Funding

The new City Hall and associated parking facilities are funded through lease revenue bond proceeds and commercial paper proceeds. The General Fund and other special and capital funds that support the staff that are located at this new facility will be responsible for the debt service payments.

Program Highlights

In terms of the project timeline, the design phase produced construction documents and the first contract was awarded in July 2002. Groundbreaking and initial construction began in August 2002. Structural steel topping off occurred in January 2004. Enclosure of the tower and wing occurred in January 2005. The project and occupancy was successfully completed in mid-2005.

The construction of the off-site employee garage was delayed as a result of the Preservation Action Council of San José (PAC-SJ) lawsuit, unforeseen soil conditions, and an unseasonably high rainfall in spring of 2005. The construction contract was awarded in February 2005 and is expected to be completed in the fall of 2006. An interim-parking plan was implemented to provide parking for City employees at other City-owned parking garages.

Civic Center Capital Program

2007-2011 Proposed Capital Improvement Program

Overview

Program Highlights (Cont'd.)

The total cost to construct the new City Hall and parking facilities is budgeted at \$349.6 million which includes a \$4 million contingency for project close out. The estimated final project cost is \$348.1 million, which is \$1.5 million less than the budgeted amount. The chart below provides a breakdown of the project construction costs.

In addition to the construction budget, \$45.25 million is allocated for technology, furniture

and equipment to operate this facility in the most effective manner. Following Council direction, the Administration has been successful in bringing this cost down by the goal of at least 15%. Based on contract awards to date, savings of approximately 18% (\$8 million) are anticipated. The individual furniture, technology and equipment items are being brought forward for Council consideration at the time of contract award with a discussion of the total costs and cost savings.

Projected Civic Center Construction Costs

	Actuals thru 2004-2005	2005-2006 Estimates	2006-2007	Total
New City Hall - Construction	\$ 251,103,000	\$ 17,989,000	\$	\$ 269,092,000
New City Hall - Land Acquisition	41,900,000			41,900,000
City Hall Parking - Construction	4,746,000	20,407,000	1,000,000	26,153,000
City Hall Parking - Land Acquisition	9,600,000	1,375,000		10,975,000
Total Construction Costs	\$ 307,349,000	\$ 39,771,000	\$ 1,000,000	\$ 348,120,000

Major Changes from the 2006-2010 Adopted CIP

Major changes from the 2006-2010 Adopted CIP include the following:

- Decrease of \$1.5 million in the new City Hall construction to reflect estimated costs as contracts are finalized.
- Completion of employee parking garage has been extended from spring 2006 to fall 2006 due to unforeseen soil conditions and delays due to an above average rain days.
- Decrease of \$8.2 million to the \$45.25 million allocation for Furniture, Fixtures and Equipment to reflect anticipated savings.

- The \$8.7 million Reserve for Capital Improvements, which was funded by interest income on the City Hall bond proceeds, is now considered available for other eligible uses as defined by financing restrictions. These funds has originally been set aside as a project reserve to address any higher than expected costs. Staff will bring forward recommendations for the use of this Reserve during this year's budget process.

Civic Center Capital Program

2006-2010 Proposed Capital Improvement Program

Overview

Operating Budget Impact

Starting in 2005-2006, the new City Hall debt service and operating and maintenance costs as well as the debt service on the Furniture, Fixtures and Equipment are covered by the General Fund and special and capital funds. The debt service and operating and maintenance costs for the off-site garage have been factored into the 2006-2007 Proposed Operating Budget.

The new City Hall facility is designed to serve the public, house many City operations, and serve as the City's corporate headquarters. Cost allocation formulas divide the debt service and operating costs to reflect these purposes.

Civic Center Capital Program
2007-2011 Proposed Capital Improvement Program
Source of Funds

SOURCE OF FUNDS	Estimated 2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	5-Year Total
<u>Civic Center Construction Fund</u>							
Beginning Fund Balance	15,101,892	8,279,527					8,279,527 *
Sale of Bonds							
– Commercial Paper Proceeds							
Interest Income	3,492,000						
Reserve for Encumbrances	9,174,635						
Total Civic Center Construction Fund	27,768,527	8,279,527					8,279,527 *
<u>Civic Center Parking Fund</u>							
Beginning Fund Balance	-17,986,200	1,403,462					1,403,462 *
Sale of Bonds							
– Commercial Paper Proceeds	21,474,711						
Interest Income							
Reserve for Encumbrances	19,696,951						
Total Civic Center Parking Fund	23,185,462	1,403,462					1,403,462 *
<u>Civic Center Improvement Fund</u>							
Beginning Fund Balance	-16,113,166						*
Sale of Bonds							
– Commercial Paper Proceeds	29,218,274						
Interest Income	5,000						
Reserve for Encumbrances	6,508,892						
Total Civic Center Improvement Fund	19,619,000						*

* The 2007-2008 through 2010-2011 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Civic Center Capital Program
2007-2011 Proposed Capital Improvement Program
Source of Funds

<u>SOURCE OF FUNDS</u> (CONT'D.)	<u>Estimated 2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>	<u>5-Year Total</u>
TOTAL SOURCE OF FUNDS	70,572,989	9,682,989					9,682,989 *

* The 2007-2008 through 2010-2011 Beginning Balances are excluded from the FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Civic Center Capital Program
2007-2011 Proposed Capital Improvement Program
Use of Funds

USE OF FUNDS	Estimated 2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	5-Year Total
<u>Construction Projects</u>							
Construction	16,200,000						
Consultants	315,000						
Design and Construction Management	698,000						
Land Acquisition	1,375,000						
Public Art	776,000						
1. New City Hall Parking Garage	20,407,000	1,000,000					1,000,000
Total Construction Projects	39,771,000	1,000,000					1,000,000
<u>Non-Construction</u>							
General Non-Construction							
Technology, Furniture and Equipment	19,619,000						
Total General Non-Construction	19,619,000						
Contributions, Loans and Transfers to General Fund							
Transfer to the General Fund to Reimburse Project Costs	1,500,000						
Total Contributions, Loans and Transfers to General Fund	1,500,000						
Reserves							
2. Reserve for Capital Improvements		8,682,989					8,682,989
Total Reserves		8,682,989					8,682,989
Total Non-Construction	21,119,000	8,682,989					8,682,989
Ending Fund Balance	9,682,989						*

Civic Center Capital Program
2007-2011 Proposed Capital Improvement Program

Use of Funds

USE OF FUNDS (CONT'D.)	Estimated 2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	5-Year Total
TOTAL USE OF FUNDS	70,572,989	9,682,989					9,682,989*

* The 2006-2007 through 2009-2010 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of same funds.

Civic Center Capital Program
2007-2011 Proposed Capital Improvement Program
2006-2007 Use of Funds by Funding Source

	(425) Civic Center Construction Fund	(433) Civic Center Parking Fund	Total
TOTAL RESOURCES	8,279,527	1,403,462	9,682,989
<u>Construction Projects</u>			
1. New City Hall Parking Garage		1,000,000	1,000,000
Total Construction Projects		1,000,000	1,000,000
<u>Non-Construction</u>			
Reserves			
2. Reserve for Capital Improvements	8,279,527	403,462	8,682,989
Total Reserves	8,279,527	403,462	8,682,989
Total Non-Construction	8,279,527	403,462	8,682,989
Ending Fund Balance			
TOTAL USE OF FUNDS	8,279,527	1,403,462	9,682,989

Civic Center Capital Program

2007-2011 Proposed Capital Improvement Program

Detail of Capital Projects

1. New City Hall Parking Garage

CSA:	Strategic Support	Initial Start Date: 3rd Qtr. 2001
CSA Outcome:	Safe and Functional Public Infrastructure, Facilities, and Equipment Effective Use of State-of-the-Art Technology	Revised Start Date:
Department:	Public Works	Initial Completion Date: 2nd Qtr. 2005
Council District:	3	Revised Completion Date: 3rd Qtr. 2006
Location:	South of St. John Street between Fourth and Fifth Streets.	
Description:	Two parking facilities will be constructed for use by employees and visitors at the new City Hall: City Hall on-site garage and City Hall off-site garage. This allocation covers the cost of the off-site garage only. When completed, the City Hall off-site garage will consist of eight levels: one below grade and seven above that will provide approximately 1,128 spaces for City employees and will also be available for public parking on evenings and weekends. The garage is located on the center of the block bounded by St. John Street, Fifth Street, Santa Clara Street, and Fourth Street.	
Justification:	This project is necessary to meet the demand for parking at the New City Hall.	

EXPENDITURE SCHEDULE (000'S)										
Cost Elements	Prior Years	2005-06 Appn.	2005-06 Estimate	2006-07	2007-08	2008-09	2009-10	2010-11	5-Year Total	Beyond 5-Year
Construction	4,746	21,397	20,407	1,000					1,000	
TOTAL	4,746	21,397	20,407	1,000					1,000	

FUNDING SOURCE SCHEDULE (000'S)										
Civic Center Parking Fund	4,746	21,397	20,407	1,000					1,000	
TOTAL	4,746	21,397	20,407	1,000					1,000	

ANNUAL OPERATING BUDGET IMPACT (000'S)										
Maintenance*										
Operating*										
TOTAL										

Major Changes in Project Cost:

2004-2008 CIP - Civic Center Parking Garage line item decreased by \$19 million to reflect the transfer of the on-site parking garage component to the Civic Center Construction Fund. This shift does not increase the overall project budget.

2006-2010 CIP - Increase of \$1.2 million as a result of the PAC-SJ lawsuit that delayed the award of the garage by one year. When the project was rebid, the costs were significantly higher.

Notes:

* The anticipated operating and maintenance costs have been incorporated into the 2006-2007 Proposed Operating Budget. This project was delayed as a result of litigation.

FY Initiated:	2001-2002	Redevelopment Area:	Yes
Initial Project Budget:	\$44,000,000	SNI Area:	University
Appn. #:	6885		

Civic Center Capital Program

2007-2011 Proposed Capital Improvement Program

Detail of Capital Projects

2. Reserve for Capital Improvements

CSA:	Strategic Support	Initial Start Date:	N/A
CSA Outcome:	Effective Use of State-of-the-Art Technology	Revised Start Date:	
Department:	Public Works	Initial Completion Date:	N/A
Council District:	N/A	Revised Completion Date:	
Location:	South side of East Santa Clara Street between 4th and 6th Streets		

Description: This allocation establishes a reserve for capital improvements and is funded by interest income on the City Hall bond proceeds. This Reserve is now considered available for other eligible uses as defined by financing restrictions. Staff will bring forward recommendations for the use of this Reserve later during this year's budget process.

Justification: The new City Hall bonds were issued with the condition that the bond interest be set aside as a project reserve. This was done because the construction bids were not available at the time the bonds were issued, resulting in potential risk to bond insurers and investors. These parties required the City to have reserves to pay the potential costs, should the bids have exceeded the estimates.

EXPENDITURE SCHEDULE (000'S)

Cost Elements	Prior Years	2005-06 Appn.	2005-06 Estimate	2006-07	2007-08	2008-09	2009-10	2010-11	5-Year Total	Beyond 5-Year	Project Total
Reserve		8,941		8,683					8,683		8,683
TOTAL		8,941		8,683					8,683		8,683

FUNDING SOURCE SCHEDULE (000'S)

Civic Center Construction Fund	8,487	8,280	8,280	8,280	8,280
Civic Center Parking Fund	454	403	403	403	403
TOTAL	8,941	8,683	8,683	8,683	8,683

ANNUAL OPERATING BUDGET IMPACT (000'S)

None

Major Changes in Project Cost:

None

Notes:

The 2006-2010 CIP allocated \$4.0 million of the interest earnings as a contingency to the new City Hall construction project to address estimated close-out costs. Project costs are estimated to be \$1.5 million under the \$4 million allocated from interest earnings.

FY Initiated: 2003-2004
Initial Project Budget:
Appn. #: 7203, 7676

Redevelopment Area: Yes
SNI Area: University